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other governments are protecting their people from exorbitant charges at this crucial period in world history, if our government should be helpless to do so; or possessing that power, it should fail to perform a similar service for the American people.

Without attempting to discuss the various provisions of the measures which have passed Congress, if the basic principle upon which these laws are framed should be tested, the decisions of the courts of last resort clearly indicate that the acts in question would be sustained and be within the legislative discretion of Congress.

WHAT COOPERATION CAN DO AND IS DOING IN LOWERING FOOD COSTS

By PETER HAMILTON,

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Legislation and proclamations, intended to restrain the disposition toward exorbitant prices, can have but a temporary and imperfect result because they do not touch, or they touch very superficially, the fundamental cause of extortion. They are like the remedies of the old-fashioned medical practitioner of a generation ago, who treated symptoms with strong drugs instead of seeking to remove the cause of disease. Frequently the drug effects complicated the symptoms, so that the patient was in worse straits than before. Modern medicine has learned that until the cause has been removed it is futile to merely treat symptoms.

Scarcity of supply, greatly increased demand, one or both, are the legitimate immediate causes of high prices. Monopoly, artificial scarcity induced by withholding supplies from an eager market, cupidity, employing one pretext or another, are the immediate causes of extortion. But back of monopoly, back of cupidity and chicanery is the selfish motive of private profit. It is for this that men cheat each other and descend to all the unfair practices which have puzzled legislators and reformers. This is the fundamental cause of extortion and sharp practice between men and between nations. Indeed, if complete analysis be made, it is the cause of war itself. Our legislators and reformers are like the old-fashioned practitioner, frantically treating symptoms with strong

measures and not effecting a cure. The socialists, on the other hand, are good diagnosticians. They know the cause but they are short on therapeutics, and their remedy would be likely to throw the patient into fits. The syndicalists, known in this country as the "Industrial Workers of the World," have, like the socialists, diagnosed correctly, but their remedy would be the knife, a radical surgical operation at whatever risk to the patient.

The coöoperator is the only one among these economic doctors who has the correct diagnosis and whose remedy will effect a cure by removing the cause without unduly upsetting the patient. He knows that the disease is chronic and must be subjected to a long course of treatment adapted to the patient's constitution. He does not believe in excessive doses that may disturb the digestion and nervous system of the invalid. His purpose is a complete cure, but he realizes that he need not hurry and does not administer his remedy faster than it can be absorbed and assimilated. Thus will he succeed where the others have failed, and the outcome is not in doubt though the time of its full accomplishment may be deferred.

At the outset of our consideration of coöperation as a means of lowering food costs, a distinction should be clearly recognized between producers' and consumers' coöperation. The former has for its underlying motive the making of profit, as much profit as possible, from the sale of its product. It would increase instead of lower prices. It would constitute the same kind of coördination of special interests, yielding disproportionate benefits to a few, more or less at the expense of the many, that we see in the trusts and with even greater menace to the general welfare; for it would, when fully grown, control not only the product of labor, as do the trusts, but also labor itself, as do the labor unions. With the selfish motive of private profit still present, the temptation to run up prices would be irresistible. Nor would there be, as, theoretically, in our present system, the wholesome restraint through the fear of drawing competitors into the field by putting the prices too high, for labor, especially if highly skilled, would be monopolized and held by its own self-interest, making impossible the organization of successful competition. It is easily imaginable that agricultural coöperation might lead to a similar result if a very large proportion of farmers were combined in one organization. Their motives would be no more philanthropic or self-sacrificing than any other kind of a trust,

and the rest of the world would have to pay the price that they might dictate or go hungry. The farmer, naturally and invariably, wants to sell in the highest market, to make the largest profit possible, and this is the purpose of all his efforts at coöperation. The citrus fruit growers and other organized agricultural interests have demonstrated the great potency of coöperation to get things done. But when they avoid a glutted market and keep themselves advised through excellent arrangements of communication as to where there is a scarcity and send their product into the undersupplied market, it is not with a desire to effect more perfect distribution *per se*, but to make more profit. Everyone is familiar with the wasteful and sometimes foolish efforts of the farmer to raise the price of his product by destroying part of it, and this while there are people in almost every community in dire need of what he burns. He ruthlessly seeks his profits; and this motive is not changed nor is his ruthlessness diminished when he, as a producer, coöperates. Coöperation with his fellow-producers enables him to effect economies, lifts him out of the slough of despond in which he desperately practices waste in a blind attempt to help himself, gives him the facilities of an up-to-date merchant in disposing of his yield, but just the same as ever before he still wants the highest price the traffic will bear and he espouses coöperation only because it helps him to realize this desire. In this kind of coöperation the quality of the product may be improved, many sources of waste eliminated and the farmer made prosperous and happy; but there is little prospect that it will lower food costs to the consumer.

Consumers' coöperation, on the other hand, yields no profits to one set of men out of the needs of another. It is a coming together for mutual benefit on the broadest, most inclusive conceivable basis of common interest—that of the consumer. Every human being is a consumer and eligible for participation in consumers' coöperation. Instead of a few with a class interest, as in producers' coöperation, it is, or may be, everybody, with a universal interest,—“each for all and all for each,” according to the motto of the English coöoperators, and with all suspicion of exploitation eliminated. Here you have a new system of economics in which the only motive is to produce and distribute the good things of life at the lowest possible cost, because the sole beneficiaries and proprietors of the system are the consumers. All motives to charge

exorbitant prices are here absent. They cannot overcharge themselves, because any excess, however large or small, that may be charged above the cost of production and distribution, is returned to each member patron in the form of a dividend. To burn up or otherwise destroy anything in order to raise the price would be recognized as a pure waste and an obvious absurdity. Every saving, however small, benefits every consumer, just as every loss is his loss. Everybody would be hurt and nobody benefited by adulteration and misrepresentation, and so they have no place, no reason for existing, in consumers' coöperation.

This attempt to sharply contrast producers' with consumers' coöperation is prompted by the evident failure of many who speak and write on the subject to discern the radical difference between them. As they spring from different motives they should not be confused one with the other.

Consumers' coöperation as first inaugurated by the Rochdale Pioneers in 1844 was born out of a pressing necessity to reduce food costs. This was at first its only purpose. It succeeded more wonderfully than its founders, in all probability, ever expected. A brief recital of the story of the Rochdale Pioneers, though its details may be familiar to many, will do more than any extended argument to show the power of consumers' coöperation to reduce the cost of food and of every other necessity and to give the consumer command over the sources of the things he needs.

There had been a strike for higher wages among the flannel weavers of Rochdale, England, and the weavers were beaten and had to go back to work at the same pay. They claimed that this was not enough to buy their actual necessities. The workers in one mill, having faith in the good heart of their employer, went to him and showed him that rent and food and clothing came to more than their wages, that they were unable to meet expenses for bare necessities and that the education and proper care of their children was out of the question. They wanted his advice and help. He saw their desperation and was moved by sympathy, but he told them that if he raised wages he would not be able to meet competition and would have to go out of business. They, of course, saw the force of this. He was willing to pay higher wages if his competitors would all do the same, and he recommended that they try to induce the other mill owners to enter with him into such an arrangement.

It may be imagined how ineffective was this small band of humble workmen, hat in hand, trying to change the policies of the magnates of that day. In many instances they were not even granted an interview. Hopeless of obtaining more pay, they were driven to the expedient of trying to buy still more cheaply and out of this, their necessity, has arisen the great, coöperative movement of Great Britain, which has done so much to keep a decent living within the reach of the workingman and after which have been patterned similar movements in many other countries.

Their first step was to pool their purchases of flour and to buy a sack at wholesale, instead of the small quantities at high prices their slender purses had previously made necessary. This was trundled in a wheelbarrow by one of their number, and thus was each family's share delivered. Though the saving was small, they had enough vision to see that if applied to many things it would become appreciable and mean for them the addition of some comforts to the actual necessities of life. But to deal in a variety of articles it was necessary to have a place to keep them, and so they conceived the idea of raising by instalment subscription enough capital to open a store. There were twenty-eight of them, referred to ever since as the twenty-eight Rochdale Pioneers, and the most they felt able to pay was an instalment of two pence per week. Stories are told of the sacrifices even this small payment involved on the part of some of them. But at last each of them had contributed one pound to the fund and this gave them a working capital of about \$140. With this they opened their store in Toad Lane, Rochdale, in 1844, stocked with a very limited supply of dry groceries, open one night a week and attended by some one of their own number. The story has it, and it is quite easy to believe, that on the evening of their first opening they were jeered and laughed at and unpleasant missiles were thrown at their windows by their fellow-workers who had not caught the vision of the pioneers and who regarded them as a crazy set of fellows ambitious to get out of their class and become shopkeepers.

But the most notable feature of this infant enterprise was the set of rules they adopted. First, they would charge themselves the same prices that other stores were charging. They did not want to stir up any unnecessary animosity from the neighboring dealers by appearing to cut prices. Second, after bills and expenses were

paid, any surplus remaining, ordinarily called profit, was to be returned as dividends to the members, not in proportion, however, to the amount of share capital held, but in proportion to the amount of their purchases. Third, interest on capital was to be treated as an expense. Capital, being stored up labor, was deserving of its wage at the prevailing rate for a safe investment, but no more. They did not subscribe to the theory of the early socialists that interest was immoral. Nor did they believe that capital, an inanimate thing, should receive all the profits arising from the activities and patronage of living beings after paying to labor the lowest wage it could be forced to accept. Fourth, each member was to have one vote in the control of the affairs of the society regardless of the amount of share capital he might hold, and there was to be no voting by proxy. The obvious purpose of this was to prevent a designing few from gaining control for selfish ends. Fifth, their sales and purchases were all to be for cash. It was unjust to him who paid cash to sell to another at the same price on credit. Losses from bad debts would reduce dividends, accounting would of necessity be more complicated and expensive, besides which cash discounts on purchases, which were a consideration in lowering costs, could not be taken advantage of if they sold on credit. This has been a cardinal principle of the coöoperators throughout, although some societies have not adhered strictly to the ideal and those that have got into trouble have done so most frequently from violating this rule.

With capital so limited and with inexperience so vast the little store had its inevitable difficulties, but it survived and finally prospered and so sure were the benefits its owners had realized that they wanted to extend them to others of their class, and so they voted to put aside out of surplus, before declaring dividends, a fund for educational purposes and thus, with their help and guidance, more stores of the same kind were opened in neighboring communities. As time went on these stores began to pool their purchases through buying agencies, on the same principle the Pioneers followed in the beginning with their first sack of flour, until in 1864 they decided to open a wholesale depot at Manchester. They had for twenty years now been saving for themselves the retail profit on what they bought; from thenceforth they would add to this the wholesaler's profit. To raise the necessary capital, each retail society participating was required to subscribe to shares in proportion to the number of its

members and each society was given a proportional vote in the affairs of the wholesale organization, based also upon the number of its members. The payment of interest on invested capital, the fixing of wholesale prices and the distribution of dividends on purchases followed the same principle as that described for the retail societies, each retail store paying the regular wholesale prices and receiving its dividends and interest on its invested capital, these, in turn, to be included in its reckonings with its own members.

Up to this point the only opposition the movement had encountered was from the small retail merchant. He was the one whose ox was being gored and he made it as hard for the coöperators, wherever they appeared, as he knew how. Those of larger affairs, the wholesalers and manufacturers, had regarded the movement as a commendable effort on the part of the workingman to be thrifty and improve his circumstances. But when he became so ambitious as to open a wholesale establishment—that was entirely a different matter. Then he became a nuisance and had to be stopped at once if possible. Certain manufacturers refused to sell to the wholesale society because their jobber customers threatened to boycott them if they did. The coöperators were apparently not discouraged by this for they were by now able to raise any amount of capital that they needed, and so they opened and equipped factories of their own in lines where they had difficulty in obtaining supplies. These factories became departments of the great Coöperative Wholesale Society; and thus not only the wholesaler's profit but that of the manufacturer as well was added to the savings of the coöperators. Line after line of manufacturing was invaded in this way by a steady and progressive program, until the great wholesale society had become the manufacturer of almost every article that was needed for comfortable living. Later the tea monopoly gave them trouble and they went to Ceylon, bought large tea estates and began raising and curing their own tea. They have acquired many large estates in England, Scotland and Ireland, where they farm the land and use the old manors as convalescent homes, vacation retreats, a kind of country club for their own members. They have small coasting steamers, which, before the war, went to Mediterranean ports and as far as Spain for the products of those countries, chiefly small fruits to be made into preserves and jams in their own mammoth canning establishments. They were not satisfied with

their supply of vegetable oils for the manufacture of soap, so they bought a great tract of land on the Guinea coast where they produce their own oil and grow tropical fruits besides. For years they have had their own grain elevators in Canada, and within the last eighteen months they have bought between ten and eleven thousand acres of wheat land, under cultivation, in the province of Saskatchewan, western Canada. They have buying agents on the produce exchanges of every great producing country of the world. Mr. John Gledhill, their representative on the New York exchange, purchases for them between ten and fifteen million dollars worth of American foodstuffs every year, their representative at Montreal also purchasing very large amounts. They have become the proprietors of a coal mine connected with which is a line of railroad. They have upwards of three hundred million dollars invested capital, a yearly turnover of more than seven hundred millions of dollars and many thousands of employes, almost all of whom are members of the retail societies. There are more than fifteen hundred retail societies, having a membership, in round numbers, of three million persons. These are supposedly heads of families. Counting five to a family, there would be fifteen million people in the United Kingdom now enjoying the benefits of consumers' coöperation. As the last census gives Great Britain a population of about forty-seven million, it will be seen that a third of the people who live there are coöoperators.

What will be the result when a majority of the population shall have entered the movement? Business of the old kind will have to capitulate. It could not continue without customers. There will, more probably, be a gradual amalgamation of the old with the new, and eventually all business may be conducted under the system established by the coöoperators.

When the war started in 1914 there was a great fear in England, amounting almost to a panic, that there would be a scarcity of food. Those who had the means began to buy in greatly increased quantities in anticipation of a famine. Prices began to rise and this but added to the determination of those who could to fill their cellars with supplies for the future. Those not able to follow this course must have been in despair. Retail merchants were taking advantage of the opportunity to make large profits by boosting prices on any pretext that seemed at all plausible. The retail stores of the

coöperatives continued to sell at the old prices, which resulted in such an increase of patronage that the managers of some of them became anxious and communicated with the executive committee of the wholesale society as to available supplies. An inventory of the great storehouses of the wholesale society was quickly taken, by which it was determined that there was a supply of most edibles sufficient for four months at their regular rate of consumption. The retail societies were advised to continue without increasing prices, which they did. But in a few days it was seen that their four months' supply would be quickly gone so excited and feverish was the demand, and it was therefore decided that no sales would be made except to members of the societies. The result of this ruling was a sudden and enormous increase in the membership and the further restriction had to be adopted by the coöperators, with great reluctance however, as it seemed contrary to their principles, that no further new members would be admitted until conditions had returned more nearly to normal. Real scarcity and disturbances incidental to war have since forced up some prices even to the coöperators, but their members did not at any time have to pay panic prices; and the later reopening of their books for new members not only greatly increased their membership, but had a powerful influence in making private merchants return to a reasonable level of prices.

So reasonable were their prices, so readily could their great wholesale establishments furnish vast quantities of clothing and shoes and bedding and other things needed in the equipment of soldiers, that they quickly came to correspond to a great commissariat of the government and in the first days of mobilization, when the government was puzzled where to find sufficient means of transportation, they came forward with hundreds of automobile trucks and thousands of draft horses, placing them at the disposal of the Minister of War. Here it will be seen that a democratically organized body of working people, by intelligent direction of their combined purchasing power, were able not only to avoid paying exorbitant prices for their own food and other necessities, but to do much to protect the rest of the public from extortion and at the same time, in a crisis, to come to the rescue of a great government by supplying at normal prices and on a vast scale things needful for an army of thousands. Does not this begin to make it clear wherein lies the application of consumers' coöperation to the lowering of food costs?

It would be interesting, did space and time permit, to study their great banking department by which the coöoperators obtain credit at cost, the insurance department, the housing department, very much like our building and loan associations to which many members send the dividends on their purchases in order to pay for a home, the educational and recreational activities that have grown up with the movement and made of every retail store, with its meeting room and rostrum, a social center for its members, furnishing a social life that was offered before only by the public tavern. It would also be illuminating to turn our attention to the functions of the great Coöperative Union, which is maintained by subscriptions from all the societies and which has charge of propaganda and the educational side of the movement, compiles statistics, maintains a bureau of lecturers, musicians and other artists, a sort of Chautauqua circuit for the entertainment, broadening and culture of the coöoperators, which elaborates improved systems of accounting and maintains a corps of trained auditors for the use of the societies and which holds a convention every year and issues a voluminous report. But such an investigation would take us into details not bearing directly upon the lowering of food costs, which is our subject.

More pertinent is a brief review of what has been accomplished in some other countries.

In all the continental countries of Europe the movement has a good foothold and in some it is taking giant strides. In Russia there has been a phenomenal growth in the last four years, the necessity for economies during the war having apparently stimulated the formation of coöperative societies, the members of which are said now to number twelve million—representing sixty million consumers. The activities of the Zemstvos, or peasants' assemblies, have been potent in the promotion of this development.

Germany has a most highly organized coöperative movement with many societies of a great variety, grouping themselves under and making reports to several separate unions. By far the largest number of its societies are the Raiffeisen and Schulze-Delitzsch coöperative banks. These banks, themselves consumers' societies (consumers of credit), have been promotive of the formation of distributive societies for dealing in food and other necessities. There were seventeen thousand four hundred and ninety three such banks in Germany in 1910, having a turnover, money paid in and

out, in one year of \$8,275,000,000. In the same year there were two thousand three hundred and eleven distributive societies with one million, five hundred thousand members, having assets of \$40,000,000 and yearly sales of considerably over \$100,000,000. The German government has looked with disfavor on the coöperative distributive societies and has forbidden government employes to become members. Since the war, however, there are reports that many have defied this prohibition and joined anyhow, because of the many benefits, and without rebuke from the government.

In Belgium the movement is largely conducted by the socialist party, and instead of returning dividends on purchases, these are retained and are used for socialist propaganda. The movement started as a coöperative bakery, which has grown to great proportions, but, on account of its socialist affiliations, it was opposed by the church where the social interests and amusements of the people centered. The socialists, to offset this, started recreational community centers on a coöperative basis, the largest of which is "The House of the People" at Brussels. Out of these it was possible to organize store societies, and the movement grew. There are now also coöperative societies under the auspices of the church. There are, or were, in Belgium many coöperative peoples' banks, after the systems of both Raiffeisen and Schulze.

The Swiss movement is so strong that it has taken over the meat monopoly by purchase, and has entered into a fight against the chocolate interests which are very strong and inclined to be dictatorial.

In the far east Japan is not behind, with over twenty-five hundred consumers' societies in 1909, if credit societies be counted. Of the latter there were over eighteen hundred and much growth has taken place since then.

Many of these countries have more or less perfectly organized bodies or unions to which the societies report, and these unions in turn report to the International Coöperative Alliance, which is an international propaganda body for the promotion of coöperation throughout the world, and whose affiliated societies represent between fifty and one hundred million people. It publishes regularly a bulletin giving the progress of the movement, which is a reliable source of information on the subject. Its headquarters are in England.

In the United States less progress has been made than in Europe, but it will probably develop very rapidly when a good start has once been made. The Agricultural Department at Washington has recently interested itself to make a survey of the consumers' societies throughout the country, but its conclusions were not very encouraging. They found about four hundred stores, many of which were not thriving. The Coöperative League of America, with headquarters in New York at 2 West 13th Street, which is a purely educational organization whose purpose is the spread of coöperative propaganda, after a fairly thorough investigation found five hundred stores and believes there are many more that do not take the trouble to answer inquiries. They would estimate the number at one thousand, although all these may not be strictly following the Rochdale plan. There have been many failures. What may be stated as the general causes of failure, everywhere, are insufficient capital, inefficient management and injudicious credits. Other causes, in America, are the lack of homogeneity in the population and the disposition, especially among working-men, to move frequently. The European coöoperators have in large measure overcome the general causes by more perfect organization through their unions, which evolve better methods, supply auditors and conduct a constant campaign of education for instilling the coöperative spirit which makes for greater loyalty and unity of purpose. They also have the advantage that the people in each country are more alike in tastes and modes of thought than in America, and for the most part they remain generation after generation in the same location, thus giving time for accumulation and for an appreciation of the benefits from coöperation.

Though the American coöoperators have not so far formed a union, their efforts having been sporadic and widely scattered, the Coöperative League of America is doing much by correspondence, by its literature, by its monthly publication, *The Coöperative Consumer*, and by maintaining field workers and lecturers, to bring the various, unacquainted groups together, to give them some knowledge of each other, to teach them the possibilities of further coöperation in a wholesale movement and to develop a sense of loyalty to the idea and a deeper comprehension of its meaning.

In conclusion let us put our subject in the form of a catechism, as follows:

Question: What can coöperation do in lowering food costs?

Answer: Consumers' coöperation can remove every motive for keeping up food prices and make it to the advantage of every human being to use, to its fullest capacity, every device that will increase the yield of the good things of the earth and that will distribute them quickly, easily and cheaply to those who would use them.

Question: What is coöperation doing in lowering food costs?

Answer: Consumers' coöperation in many parts of the world is not only eliminating the profits of all middlemen, but it is improving methods of production, thereby increasing the yield and is giving to the consumer absolute certainty that the quality and the quantity of what he buys is as it is represented. In consumers' coöperation it is to nobody's interest to follow any other course.

The application in America of the principles of the Rochdale Pioneers is behind other civilized countries and every effort, such as is being made by the Coöperative League of America, to bring about a clearer understanding and a more general and successful adoption of these principles, should be encouraged and supported by everyone who has faith in a more just and a more efficient economic system.

PRICE CONTROL THROUGH INDUSTRIAL ORGANIZATION

BY J. RUSSELL SMITH, PH.D.,

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Some persons have been inclined at times to smile at the distinguished iron master whose name adorns so many libraries, but I regard Andrew Carnegie in the light of an economic prophet, for he declared years ago that we were coming to the time when we would have a supreme court of prices. If ideas have something of an environmental origin, it is perhaps not unnatural for Mr. Carnegie to come to such conclusions after contemplating the sale for hundreds of millions of certain iron properties that cost scores of millions. Mr. Carnegie's supreme court of prices is here embedded in our states, as witness the Interstate Commerce Commission. That it is also deep in the common mind is shown by the repeated attempts to create a Federal Trade Commission. Although that organization is still feeble and almost toothless, after the manner